

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



1918-1949

FOREIGN POLICY ASSOCIATION • INCORPORATED • 22 EAST 38TH STREET • NEW YORK 16, N. Y.

VOL. XXVIII No. 25

APRIL 1, 1949

## ***Communist Moves Forcing Western Decisions On Germany***

Whether the frontier of the Atlantic Community is to run along the Rhine or the Elbe may indirectly be determined by the Foreign Ministers of the Western powers when they meet in Washington next week to sign the Atlantic pact. Differences of opinion between the occupying powers over the terms of an Occupation Statute and the assimilation of the French to the Anglo-American zone, as well as disagreement with the Germans over the terms of a constitution, have so far prevented the full implementation of the fundamental decisions on Germany made in June 1948 at London.

### ***Russian Bids***

The stalemate has opened the door for Russia to set in motion a new campaign to win the support of the German people, and thus to extend its sphere of influence in Europe. On March 19 the Communist-dominated People's Council in the Soviet zone of Germany approved a "constitution for all Germany" said to have been framed in Moscow. At the same time Russian-zone German leaders have called for nation-wide elections and for a conference in Brunswick on April 8 with members of the Bonn Constitutional Assembly to discuss the preservation of German unity.

Similar bids for German support had been previously made by Russian spokesmen directly, as in the letter of Marshal Vassily D. Sokolovsky, Soviet Commander in Germany, on March 5, which affirmed that the Soviet authorities "insistently champion the cause of unity of Germany and its conversion into a democratic

sovereign state," and reject all attempts at partitioning the country.

The problem of turning Germany into an asset rather than a liability has economic and political aspects. The economic problem grows primarily out of the fact that Western Germany, with its productive capacity reduced by war damage and security restrictions, is unable to provide for its considerably increased population, particularly since the prewar free interchange of goods and services with Eastern areas has been disrupted. Under these circumstances, to maintain even the precariously inadequate level of consumption, constituting the lowest average in all Europe according to FAO statistics, it became necessary to subsidize the economy on a large scale. Thus net foreign contributions to the bizonie during 1948 amounted to \$1.1 billion, of which two-thirds was in the form of direct military assistance by the United States and Britain, and the remaining third consisted of a grant from ECA.

In order to put Germany on a self-supporting basis and to enable it to contribute to European recovery, measures were taken to facilitate the expansion of German production, which rose from 51 (1936=100) in June 1948 to 78 by the end of the year. Steel production, which had totaled less than 3 million tons in 1947, rose to a rate of 9.5 million tons a year by March 1949, nearing the maximum level of 10.7 million tons set by the Anglo-American agreement of August 1947. ECA officials, however, are reported to believe that the level should be raised to 13 million tons in the interest of European recovery.

In an attempt to help speed up the rate of production in Germany, the ECA appointed an Industrial Advisory Committee which, following an on-the-spot investigation, is reported to have recommended that some 167 plants, previously scheduled for dismantling as reparations, should be retained.

A further effort to increase German productivity had been the currency reform of June 1948 which proved to be a major contributing factor in the Berlin dispute. When the UN committee of "neutrals," set up by the Security Council to seek a solution to the currency question, reported its failure on March 16, the Western Allies announced on March 20 that the Soviet-sponsored mark would no longer be accepted as legal tender in Berlin. The implications of economic policy in the political field became clear as Ernst Reuter, Socialist mayor of Berlin, greeted the announcement with the statement: "The introduction of the West mark is 100 times more precious as proof that West Berlin belongs to West Europe than all the repeated statements of the Allies that 'we are going to remain in Berlin.'"

### ***Divided Counsels***

Meanwhile, in the political sphere, the constitutional draft completed by the Bonn Assembly in January has been held up by demands for revision made on March 3 by the three Western powers. These included further decentralization of the proposed government and exclusion of Western Berlin from the new federation. German counterproposals were subsequently turned down by the Western

*Contents of this BULLETIN may be reproduced with credit to the Foreign Policy Association*

Allied Military Governors on March 25. The Germans, particularly in the important Social Democratic party, feel that the sort of decentralized regime which France is seeking as a means of protection from resurgent German nationalism would be so weak and ineffective as to be virtually worse than no government at all. At the same time the German leaders fear that the impending Occupation Statute, within the terms of which the new government will operate, may impose so many restrictions as to make the regime impotent and unpopular.

Moreover, important differences between the Allies have arisen over the Occupation Statute. Thus France seeks a veto power over decisions of the Military Governors after amalgamation of the zones, and wants even then to retain substantial administrative powers in the French zone. On the other hand, the United States, with

its strong interest in speeding German recovery, fears that Britain and France, whether because of economic competition or security fears, will hamper such revival. Washington, therefore, wishes to retain the dominant voice in German economic affairs which it obtained by the agreement with Britain of December 17, 1947.

While the Western Allies have been fumbling for an agreement on these and other controversial questions involved in the projected Occupation Statute and inclusion of the French zone in West Germany, the attitude of the Germans themselves has not been improved by the announcement on March 26 of thirty-one "minor rectifications" of Germany's western frontiers, in which about 52 square miles with 13,500 inhabitants will be transferred to France and Benelux. Although the territory involved is minute

compared with approximately 40,000 square miles of Eastern Germany transferred to Poland under Russian auspices in 1945, the Soviet licensed press in Germany has been protesting vigorously that this is the forerunner of an attempt to take important economic areas from Germany.

In this situation the Russians can count on some important assets in their campaign to win over the German people. If the Western powers hope ultimately to include Germany in the Atlantic Community, they face the necessity of making some crucial decisions about the future of Germany within the next few weeks. It is unlikely that Germany will ever constitute a reliable European partner until its people feel that they have a reasonable share in the determination of their own destinies.

FRED W. RIGGS

## ***France Sponsors Return of Emperor To Indo-China***

The exchange of letters in Paris on March 8 between French President Vincent Auriol and Bao Dai, ex-emperor of Annam, marks the latest French attempt to bring to an end the war in Indo-China. This war has been going on since December 1946 and the French have been unable to achieve a military victory.

### ***Motives for Peace***

Paul Coste-Floret, Minister of Overseas France, recently told the French Assembly that 14,128 soldiers had died in Indo-China between September 23, 1945, when the French tried to reassert their authority after V-J Day, and December 31, 1948. There is a French army of more than 100,000 men in the country, which is a heavy drain on the French treasury. France, as well as Asia and Indo-China itself, is suffering from the stagnation of the Indo-Chinese economy. Only after a political settlement brings peace will large quantities of Indo-Chinese rice, rubber, maize, coal and other raw materials once again enter the channels of world trade. Some of this would go to France, and more of it would profit France indirectly by bringing much-needed dollars into the franc zone.

To these motives for peace has been added another which has speeded up negotiations: the sweeping victories of the Communists in China. The French want to make peace while they still can, before the isolation in which Viet-Nam has been

fighting for more than two years is ended and the Viet-Nameese find a powerful friend on their northern frontier.

But can Bao Dai bring peace to Indo-China? He has little following in the country. He has no right at all to speak for the Viet-Nameese Republican resistance. The Democratic Republic of Viet-Nam lays claim to three of the five prewar states of Indo-China: Tonkin, Annam and Cochinchina, the important Annamese-populated coastal areas which extend from the Chinese border on the north to the Gulf of Siam on the south. Laos and Cambodia, the other two states, are inhabited by different peoples who, with some exceptions, have made their peace with France. Since September 2, 1945, when Viet-Nam proclaimed its independence, its President has been Ho Chi Minh. It held national elections in January 1946 and adopted a democratic constitution in November of that year. Today the French control only the major cities and scattered military posts. All the rest of Viet-Nam is in Republican hands.

The major issues between France and Viet-Nam may be summed up in one phrase: unity and independence. The problem of unity is the problem of Cochinchina. On geographic, ethnic and economic grounds it belongs to Viet-Nam. Juridically, it is a French colony, unlike the protectorates of Tonkin and Annam, and it is the richest of the three. The French agreed in 1946 to a referen-

dum in Cochinchina to find out whether it wished to join Viet-Nam, but the referendum was never held. Although the majority of the population probably considers itself Viet-Nameese, the French encouraged a minority separatist movement in Cochinchina and finally set it up as an autonomous state. The Republic, meanwhile, had its own government for the area, which it regarded as southern Viet-Nam.

Although the Republicans want independence, they have said they are willing to continue as members of the French Union with a position like that Eire used to have when it was an independent member of the British Commonwealth. But the position of associated states within the French Union, the French version of dominion status, is not at all the same thing. The French offer their associated states seats in the consultative bodies of the French Union, the Assembly and High Council, but they expect control of the foreign relations and army of each state to remain in Paris.

In the fall of 1947 the French decided they could not come to terms with Ho Chi Minh and turned to Bao Dai. Bao Dai was a figurehead under the French before and during the war, and he worked for a while with the Japanese in 1945. Although he abdicated as Annamese emperor in favor of the Republic after V-J Day, he stayed on as a member of Ho's government for more than six months be-

fore leaving for self-imposed exile in Paris. He is trying to split the resistance forces on the issue of communism. President Ho is the founder of the Indo-Chinese Communist party. Today he says he is above all a nationalist and he is regarded as the leader and symbol of the resistance by the great majority of Viet-Nameese. His coalition government includes Communists, Socialists, Democrats, independents, Catholics and former dignitaries of the imperial court of Annam. The strategy of Bao Dai, until now wholly unsuccessful, has been to appeal to the "genuine nationalists" who constitute the bulk of the resistance. For this reason he also has demanded unity and independence.

### **French Proposals**

On May 20, 1948 General Nguyen Van Xuan, president of the French-sponsored administration of Cochinchina, a French citizen and a general in the French army, proclaimed a provisional central government of Viet-Nam which included Cochinchina. On June 5, in Bao Dai's pres-

ence, he signed an agreement bringing Viet-Nam into the French Union as an associated state. Since that time Bao Dai has been negotiating a treaty with France to put the agreement into effect.

The text of Bao Dai's agreement with France has not yet been released. It is reported to call for French military bases in Viet-Nam, French instructors for the Viet-Nameese army and French control of the army in wartime; Viet-Nameese legations in Southeast Asia and at the Vatican with credentials issued by the French President, and French diplomatic representation of Viet-Nam in other countries and in the United Nations; continued membership in the franc zone, a currency in Viet-Nam, Laos and Cambodia and respect for French economic and cultural interests in Viet-Nam. On March 12 the French National Assembly voted to establish an assembly in Cochinchina that would vote on the future relation of that area to Viet-Nam.

These are the inducements Bao Dai will bring with him when, after three years abroad, he finally returns to Viet-

Nam this month. The French Socialist party which has consistently favored negotiations with Ho, even while its representatives in the government were leading the war against him, has pointed out the obvious fact that peace can only be made with the Viet-Nameese resistance. In the past the Republic has not been receptive to limited "independence" and today its leadership is optimistic because of changes in the Asian balance of power brought about by Chinese Communist victories. Washington, London and Paris are interested in creating an anti-Communist bloc in Southeast Asia. By trying to break up a nationalist popular front, the only one in all of Southeast Asia which has not yet shown serious signs of cracking, they run the risk of alienating potential friends. Bao Dai's experiences when he returns home will be the test of that policy.

ELLEN HAMMER

*(Miss Hammer, a member of the research staff of the Council on Foreign Relations, is preparing a book on Indo-China to be published by the Institute of Pacific Relations.)*

## **British Reassess East African Development Plans**

British East Africa is today both one of the most promising of the continent's underdeveloped areas and the hard testing ground for projects by which Europeans hope to tap its resources. The three African territories—Kenya, a crown colony; Uganda, a protectorate; and Tanganyika, a trusteeship administered by Britain under the United Nations—are believed capable of supporting their 12 million inhabitants beyond the primitive standards which now prevail in the African communities and of yielding, in addition, exports needed by Europe and the rest of the world. But, as the British are discovering, such development requires capital, time, foresight and leadership before surmounting the economic, political and international difficulties which at present keep Africa from becoming the continent of the future.

### **Trial in Peanuts**

At the beginning of 1947 the Colonial Office set forth what it hoped was a model program for African development—a plan for the mechanized production of peanuts (the British call them groundnuts) on 3.25 million acres of land, largely unoccupied, in Kenya, Tanganyika and Northern Rhodesia. The plan called for

the creation of 107 farms of 30,000 acres each within five years. The cost was estimated at \$100 million, including projects for railway, road and port construction. For the ration-ridden housewife in Britain and elsewhere the scheme promised a new source of margarine and fats. For Africans it was to be a new and important source of livelihood, an introduction of scientific farming methods which would bring health, education, social welfare and prosperity to poor and primitive areas. Furthermore, the program was to be started by a private firm, then turned over to a public British corporation and later passed on to the colonial governments concerned so that they could form co-operatives owned by the Africans themselves. According to British Labor government leaders, this was to be the biggest socialized farming operation outside the Soviet Union.

Work was begun almost immediately on several sites in Tanganyika, new communities were founded and the task of clearing the ground undertaken. The program has had about a year of testing and Britain is now reassessing its initial estimates and revising its hopes downward. Instead of 1,230,000 acres planted in peanuts during 1949, as originally planned,

it now appears that only 25,000 acres can be sown. An additional 20,000 acres will grow sunflowers, another oil-bearing crop but a less productive one. Instead of costing \$100 million, it now appears that the program will need twice that figure. Instead of five years, it will take ten. Instead of an over-all area of 3.25 million acres, a goal of 2 million acres has been set. The difficulties which have produced these disappointments include the limited port facilities of Dar-es-Salaam, capital of Tanganyika, the inadequacies of the territory's railway, and delays in getting machinery, steel rails and other capital equipment. It is also apparent that the project has not succeeded in capturing African imaginations; the efficiency of native labor has been hampered by rapid turnovers in the working force.

All this, of course, has been hotly discussed by critics in London and Africa—among others, by Conservatives who do not like the plan's socialism and by British settlers in the colonies who believe that hopes for early African control of farms were too idealistic and premature. The Labor government has undoubtedly been overoptimistic and the haste with which the program was undertaken has contributed to its higher cost. But only time and



Africa will show whether the original goals may eventually be achieved.

## The Tsetse Fly

London's present optimism about Africa is not easily dampened. In announcing the development of antrycide, the new drug which may offer a solution to the tsetse fly problem, D. R. Rees Williams, Under Secretary for the Colonies, spoke of opening up 4.5 million square miles in both East and West Africa for cattle raising. This came when Britain was cutting its meat ration because of the failure of Argentine deliveries and, not unnaturally, it made another strong appeal to the housewife at home.

Antrycide, developed in England but tested in Africa, cures all forms of trypanosomiasis, the disease known as sleeping-sickness carried by the tsetse fly, in cattle, horses and other animals. It also produces a limited immunity, from four to six months, and may eventually provide longer immunities. Although it is easily administered, the problem of teaching its use to native cattle raisers, the expense and labor of rounding up cattle, the cost of the drug itself, and its present short-term effect cloud visions of Africa as a great meat exporter in the near future. Furthermore, the need for better water supply and transportation, the other two major obstacles to African agriculture, must be overcome before large-scale production ensues.

Another important project begun by the British in East Africa is the development of hydroelectric power in Uganda by building a dam at the Owen Falls where the White Nile tumbles out of Lake Victoria to begin its long course to the Mediterranean. This is part of an extensive 25-year program, affecting the Sudan and Egypt, for control of the Nile waters. Harnessing this source of power will give Uganda the means for industrial development, including the manufacture of chemical products from raw materials available in Kenya and Tanganyika.

These development programs, like those in British Central Africa, have led to a revival of proposals for the federation of Uganda, Kenya and Tanganyika. As in the case of the Rhodesias, however, vary-

## Branch & Affiliate Meetings

BUFFALO, April 4, *Behind the Iron Curtain*, Julien Bryan

ST. PAUL, April 5, *Shall We Arm Western Europe?*, Blair Bolles

\*MINNEAPOLIS, April 6, *The North Atlantic Alliance*, Blair Bolles

MILWAUKEE, April 7, *Washington Views the World*, Blair Bolles

PHILADELPHIA, April 7, *The U.S. and the U.N.*

\*CLEVELAND, April 12, *Are We Still Good Neighbors?*, Alberto Lleras

NEW ORLEANS, April 13, *Britain's Socialist Government*, John Wilmot

\*Data taken from printed announcement

## WHAT IS THE POLITICAL FUTURE OF GERMANY?

Is one government either desirable or possible for Germany and what kind should it be? What will the role of Germany be vis-à-vis the U.S.S.R.? For a discussion of these problems READ

GERMAN POLITICS AND THE EAST-WEST DEADLOCK

by Jane Perry Clark Carey

April 1 issue.

*Foreign Policy Reports* — 25 cents

Subscription \$5; to FPA members, \$4.

ing native policies in the three territories are an obstacle to closer union. Both Uganda and Tanganyika have predominantly African economies and have been administered with the aim in mind of future African self-government. Kenya, a storm center of the British empire, has the largest European community of the three and excludes natives from the ownership of land in the "white highlands." The prospect of federation is further complicated by Tanganyika's position as a trusteeship, since interested parties in the United Nations may oppose any tendency toward white domination which might come through a closer association with Kenya.

WILLIAM W. WADE

(This is the second in a series of three articles on developments in British East and Central Africa.)

## News in the Making

Continued French support for the coalition government of Premier Henri Queuille was seen as the result of cantonal elections held March 20 and 27. "Third force" parties won almost 750 seats in councils of the French departments; de Gaullists and their affiliates won 389; and the Communists, although they polled 23 per cent of the popular vote, held only 37 seats as the result of the electoral system. . . . Steps toward the formation of an Italo-French customs union were taken in Paris, March 26. The two countries signed a treaty providing for the increased duty-free transfer of goods and eventual economic union within six years when France and Italy have co-ordinated their economies, fiscal systems and production costs. . . . Another move toward European unity was made March 28 when Ambassadors of ten Western nations (Italy, Norway, Sweden, Denmark and Eire in addition to the five Brussels pact powers) met in London. The Ambassadors will consider a draft constitution for a Council of Europe, and their meeting will be followed by a conference of the Foreign Ministers of the ten countries, probably in the latter part of April. . . . The future relationship between India and the British Commonwealth will be before the Commonwealth Prime Ministers when they meet in London April 23. India, since it won dominion status in August 1947, has expressed the desire of becoming a sovereign, independent republic. This means renouncing its tie with the British crown. Practical considerations of defense, trade and economic development have led Prime Minister Pandit Jawaharlal Nehru and British leaders to search for a constitutional formula whereby a republic can continue to function in the Commonwealth framework. . . . Pressure being applied in Washington for loans to Mexico totaling \$400 million has met with difficulties on the issue of Mexican nationalism and protection of high-cost industries. But the Alemán government has agreed to accept the technical help of American oil interests on a limited basis, compromising with the stand taken by the Mexican unions.

FOREIGN POLICY BULLETIN. Vol. XXVIII, No. 25, APRIL 1, 1949. Published weekly from September through May inclusive and biweekly during June, July and August by the Foreign Policy Association, Incorporated. National Headquarters, 22 East 38th Street, New York 16, N. Y. BROOKS EMENY, President; HELEN M. DAGGETT, Secretary; VERA MICHELES DEAN, Editor; WILLIAM W. WADE, Associate Editor. Re-entered as second-class matter June 4, 1948, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Four Dollars a Year. Please allow at least one month for change of address on membership publications.

F. P. A. Membership (which includes the Bulletin), Six Dollars a Year.

Produced under union conditions and composed and printed by union labor.